

Weekly Economic Review

Energy prices keep inflation in check

Consumer Price Index

Inflation remains tepid at year's end. Alberta's Consumer Price Index (CPI) was up a modest 1.5% year-over-year (y/y) in December. Lower energy prices continue to weigh on inflation as the cost of gasoline, electricity and natural gas declined by over 9.9% y/y. Excluding energy, inflation was up 2.4% y/y (Chart 1). Higher import prices have put some upward pressure on inflation, especially food prices. Fresh fruit and vegetable prices were up 14% y/y. Alberta's annual inflation for 2015 tallied up to a mere 1.1%.

Employment Insurance

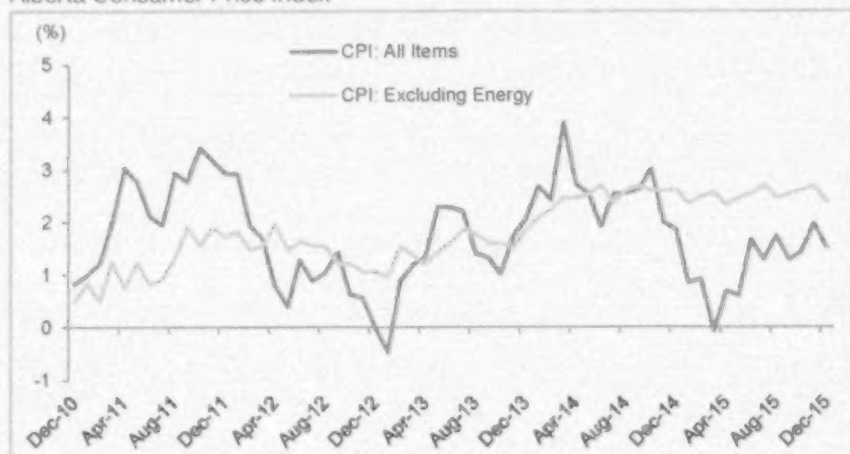
Alberta EI claims keep rising. Alberta's Employment Insurance (EI) claims rose to a 2015 high of 30,600 in November (Chart 2), up 1.7% m/m. Compared to November 2014, claims were up 52%. The number of Albertans receiving regular EI benefits has more than doubled over the past year, hitting 61,300. Two-thirds of regular beneficiaries were residing in Calgary and Edmonton, but the number of recipients is quickly rising in the Wood Buffalo and Red Deer regions. Albertans working in trades, transportation and equipment operator occupations accounted for 41% of beneficiaries, followed by those working in business, finance and administrative occupations which made up nearly 14% of beneficiaries.

Non-Residential Investment

Investments fall after record high. Alberta's non-residential investment declined for the first time in over two years, down 1.2% y/y in the last quarter of 2015. Industrial investment fell precipitously, down almost 50% y/y as construction of buildings serving the oil and gas industry dwindled.

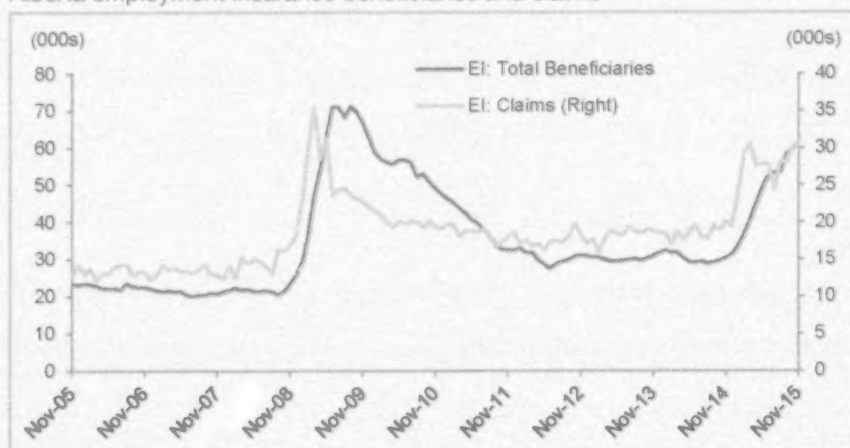
Commercial investment was down 7.8% y/y owing to declining construction of office and warehouse space. In contrast, institutional and government investment nearly doubled compared to last year from the increased building and renovation of schools. Due to growth in public sector projects, Alberta ended 2015 with non-residential investment up 1.5% from 2014 despite the declines in industrial (-32%) and commercial construction (-2.1%).

Chart 1: Low energy prices suppress total inflation
Alberta Consumer Price Index



Source: Statistics Canada

Chart 2: November EI claims reach 2015 high
Alberta employment insurance beneficiaries and claims



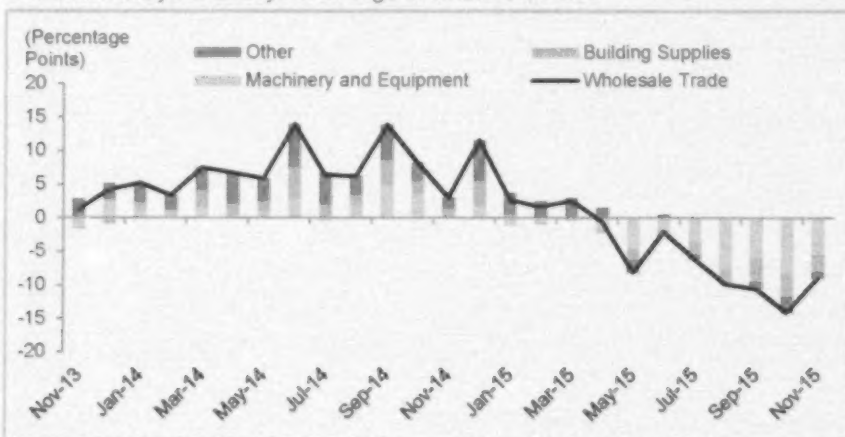
Source: Statistics Canada

Manufacturing

No relief for hard hit manufacturers

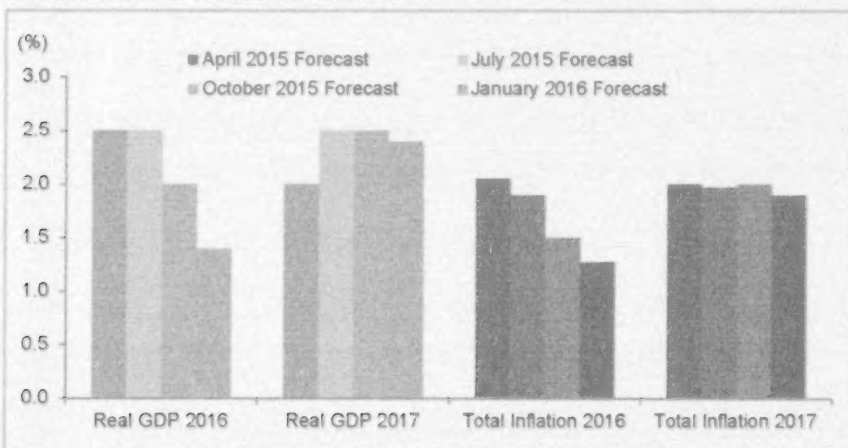
Alberta manufacturing shipments remained weak in November, down 14% year-over-year. Manufacturing shipments have been waning since the start of 2015. Despite a small monthly uptick, petroleum and coal products remain a main source of weakness, down 28% y/y largely on account of low oil prices. However, the weak manufacturing climate hasn't been limited to energy producers; non-energy manufacturing shipments were down 9.8% y/y in and have contracted in nine of the past eleven months. With energy producers cutting expenses, equipment investment has waned, leading to a 43% y/y drop in machinery manufacturing. In contrast, food manufacturing has been one of the few industries in which shipments have held up (3.2% y/y). Year-to-date manufacturing sales were down 13%.

Chart 3: Wholesale trade weakened by construction slowdown
Contributions year-over-year change in wholesale trade



Source: Statistics Canada

Chart 4: Another downgrade to projected 2016 growth for Canada
Bank of Canada forecast revisions



Source: Bank of Canada

Wholesale Trade

Building slowdown hurts wholesale
Alberta's wholesale trade in November totaled \$6.4 billion, down 11% y/y (Chart 3). The slowdown in the energy sector as well as residential and non-residential construction has weighed heavily on building supplies and machinery and equipment sales. Industrial machinery and equipment experienced the largest decline, down 17% y/y while building supplies were down 16% y/y. Food, beverages and tobacco (1.4%), personal and household items (4.8%) and miscellaneous wholesalers (10%) bucked the downward trend. Wholesale trade across Canada was up by 4.2 y/y in November.

Bank of Canada

Growth downgraded for 2016

The Bank of Canada kept its overnight interest rate at 0.5% but downgraded its economic outlook for 2016. Canada's real GDP forecast was cut by 0.6 percentage points to 1.4% for the current year. The downgrade reflects further declines in commodity prices, energy sector investment and employment and a slower shift in Canada's economy towards growth led by non-resource exports. The Bank also highlighted the spread of weakness from the energy sector to other provinces. Economic growth should rise to 2.4% in 2017 (Chart 4). Inflation remains below target mostly due to low fuel costs, though the sharp depreciation of the Loonie provided some offset by raising the cost of imported goods. The Bank's outlook for the global economy was balanced yet cautious, highlighting China's slowdown as well as steadily improving prospects for the US economy.

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Please see the [Alberta Economy - Indicators at a Glance](#) for a snapshot of Alberta indicators.